

**REPORT OF THE AUDIT OF THE
MASON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2013**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MASON COUNTY FISCAL COURT

June 30, 2013

The Auditor of Public Accounts has completed the audit of the Mason County Fiscal Court for fiscal year ended June 30, 2013.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis of Mason County, Kentucky.

Financial Condition:

The Mason County Fiscal Court had total receipts of \$11,342,725 and disbursements of \$12,213,802 in fiscal year 2013. This resulted in ending cash balances and cash equivalents of \$9,106,151, which was a decrease of \$158,327 from the prior year.

Deposits:

The fiscal court's deposits as of August 31, 2012, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$581,143

The fiscal court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable James L. Gallenstein, Mason County Judge/Executive
Members of the Mason County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis of Mason County, Kentucky, for the year ended June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in more fully in Note 1, the financial statement is prepared by Mason County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Mason County, Kentucky as of June 30, 2013, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances and cash equivalents of Mason County, Kentucky as of June 30, 2013, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Emphasis of Matters

As discussed in Note 1 to the financial statement, in fiscal year 2013, the Mason County Fiscal Court adopted new accounting guidance on a regulatory basis. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Mason County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statement. The capital asset schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2014 on our consideration of Mason County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

March 28, 2014

MASON COUNTY OFFICIALS

For The Year Ended June 30, 2013

Fiscal Court Members:

James L. Gallenstein	County Judge/Executive
Patrick McKay IV	Commissioner
Annette Walters	Commissioner
Phil Day	Commissioner

Other Elected Officials:

John Estill	County Attorney
Gerald Curtis	Jailer
Stephanie Schumacher	County Clerk
Kirk Tolle	Circuit Court Clerk
Patrick Boggs	Sheriff
Troy Cracraft	Property Valuation Administrator
Robert Brothers	Coroner

Appointed Personnel:

Kim Muse	County Treasurer
Megan Davenport	Finance Officer

MASON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS

For The Year Ended June 30, 2013

MASON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS

For The Year Ended June 30, 2013

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 3,520,127	\$	\$
In Lieu Tax Payments	21,395		
Excess Fees	191,269		
Licenses and Permits	40,398		
Intergovernmental	340,773	1,289,694	1,240,523
Charges for Services	16,244	8,205	105,148
Miscellaneous	446,884	50,904	123,698
Interest	1,468	287	62
Total Receipts	<u>4,578,558</u>	<u>1,349,090</u>	<u>1,469,431</u>
DISBURSEMENTS			
General Government	1,279,425		
Protection to Persons and Property	204,339		1,832,569
General Health and Sanitation	171,022		
Social Services	6,725		
Recreation and Culture	40,517		
Roads		1,190,924	
Airports			
Debt Service	32,135	26,565	33,974
Capital Projects	8,038		
Administration	1,200,558	214,744	565,665
Total Disbursements	<u>2,942,759</u>	<u>1,432,233</u>	<u>2,432,208</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,635,799</u>	<u>(83,143)</u>	<u>(962,777)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds			262,750
Transfers From Other Funds			550,000
Transfers To Other Funds	(867,135)		
Total Other Adjustments to Cash (Uses)	<u>(867,135)</u>		<u>812,750</u>
Net Change in Cash Balances and Cash Equivalents	768,664	(83,143)	(150,027)
Cash Balances and Cash Equivalents - Beginning (Restated)	2,944,617	364,558	272,147
Cash Balances and Cash Equivalents - Ending	<u>\$ 3,713,281</u>	<u>\$ 281,415</u>	<u>\$ 122,120</u>

The accompanying notes are an integral part of the financial statement.

MASON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS
For The Year Ended June 30, 2013
(Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	State Grants Fund	Federal Fund	Solid Waste Fund	Landfill Fund	Garbage Collections Fund
\$	\$	\$	\$	\$ 5,669	\$
307,866		11,000	9,173	113,118	369,151
67,747			128,502	1,720,438	
47			45	571,164	101
<u>375,660</u>		<u>11,000</u>	<u>137,720</u>	<u>2,416,322</u>	<u>369,252</u>
34,693					
75,664		5,000			
37,175			216,699	2,239,585	297,183
31,124					
418,448					
50,000					
8,000				667,995	
			130,808	19,287	
10,802			66,314	353,237	80,494
<u>665,906</u>		<u>5,000</u>	<u>413,821</u>	<u>3,280,104</u>	<u>377,677</u>
(290,246)		6,000	(276,101)	(863,782)	(8,425)
				450,000	
200,000			85,000		
(21,765)					
<u>178,235</u>			<u>85,000</u>	<u>450,000</u>	
(112,011)		6,000	(191,101)	(413,782)	(8,425)
148,716	12,794	11,809	214,695	4,924,772	305,714
<u>\$ 36,705</u>	<u>\$ 12,794</u>	<u>\$ 17,809</u>	<u>\$ 23,594</u>	<u>\$ 4,510,990</u>	<u>\$ 297,289</u>

The accompanying notes are an integral part of the financial statement.

MASON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS
For The Year Ended June 30, 2013
(Continued)

	<u>Unbudgeted Funds</u>		
	<u>Public Properties Corporation Fund</u>	<u>Jail Canteen Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 3,525,796
In Lieu Tax Payments			21,395
Excess Fees			191,269
Licenses and Permits			49,571
Intergovernmental	345,115	3,917	3,652,006
Charges for Services		284,878	2,504,064
Miscellaneous			1,388,899
Interest	15	1,767	9,725
Total Receipts	<u>345,130</u>	<u>290,562</u>	<u>11,342,725</u>
DISBURSEMENTS			
General Government			1,314,118
Protection to Persons and Property			2,117,572
General Health and Sanitation			2,961,664
Social Services			37,849
Recreation and Culture		326	459,291
Roads			1,240,924
Bus Services			8,000
Debt Service	396,761		1,157,430
Capital Projects			158,133
Administration		267,007	2,758,821
Total Disbursements	<u>396,761</u>	<u>267,333</u>	<u>12,213,802</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(51,631)</u>	<u>23,229</u>	<u>(871,077)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds			712,750
Transfers From Other Funds	53,900		888,900
Transfers To Other Funds			(888,900)
Total Other Adjustments to Cash (Uses)	<u>53,900</u>		<u>712,750</u>
Net Change in Cash Balances and Cash Equivalents	2,269	23,229	(158,327)
Cash Balances and Cash Equivalents - Beginning (Restated)	29,613	35,043	9,264,478
Cash Balances and Cash Equivalents - Ending	<u>\$ 31,882</u>	<u>\$ 58,272</u>	<u>\$ 9,106,151</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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MASON COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2013

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Mason County includes all budgeted and unbudgeted funds under the control of the Mason County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation created to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of receipts for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

State Grants Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state.

Federal Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are federal grants.

Solid Waste Fund - The primary purpose of this fund is to account for activities related to solid waste management at the recycling center. The recycling center sells recyclable materials such as cardboard and aluminum to various vendors.

Landfill Fund - The primary purpose of this fund is to account for the activities of the Mason County-Maysville Landfill.

Garbage Collections Fund - The primary purpose of this fund is to account for the activities of the Mason County Garbage Collections service.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - This fund is used to account for the activity of the Mason County Public Properties Corporation (MCPPC). Receipts and disbursements of this fund are generally restricted for specific purposes, such as issuance of debt for construction projects. The Department for Local Government does not require the fiscal court to budget for or report on these funds.

Mason County Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Mason County Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

The State Local Finance Officer does not require the Mason County Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Mason County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Mason County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Mason County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

H. Related Organizations and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Mason County Fiscal Court: Western Mason Water District and Western Lewis-Rectorville Water District.

A jointly governed organization is an entity that results from a multi-governmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating government. The jointly governed organization can act independently of each of the participating governments. Based upon these criteria, the following are considered jointly governed organizations of the Mason County Fiscal Court: Mason County-City of Maysville Tourism Commission, Mason County-City of Maysville Industrial Development, Mason County-City of Maysville Parks and Recreation, Mason County-City of Maysville Ambulance Service, Mason County-City of Maysville Planning and Zoning Commission, Mason County-City of Maysville E-911, and the Fleming-Mason Airport.

Note 2. Deposits

The fiscal Court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2013, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of August 31, 2012, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$581,143

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2013.

	General Fund	LGEA Fund	Total Transfers In
Jail Fund	\$ 550,000	\$	\$ 550,000
LGEA Fund	200,000		200,000
Solid Waste Fund	85,000		85,000
Public Properties Corporation Fund	32,135	21,765	53,900
Total Transfers Out	\$ 867,135	\$ 21,765	\$ 888,900

Reason for transfers:

To move resources from the General and LGEA Funds, for budgetary purposes, to the funds that will expend them.

Note 4. Trust Funds

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following trust funds:

Employees' Christmas Club Account - This fund accounts for funds voluntarily withheld from employees' wages and deposited in the bank until funds are annually paid to the employees. The balance in the Employees' Christmas Club Account as of June 30, 2013 was \$11,901.

FSA/HRA Account - This fund accounts for employee and employer contributions to reimburse employees for health care expenses. The County has contracted with Febco, Inc., a third-party administrator, to administer the plan. The plan provides a debit card to each eligible employee providing \$1,700 each year for a single plan and \$2,700 each year for a family plan to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction. The balance as of June 30, 2013 was \$5,426.

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 5. Short-term Debt

A. Loan Agreement - Landfill

On August 17, 2012, Mason County Fiscal Court entered into a \$450,000 loan agreement with Bank of Maysville to purchase a landfill compactor. The loan bears an interest rate of 2.75% with three interest payments due during the year and a final principal and interest payment due on June 30, 2013. The loan was paid in full prior to June 30, 2013.

B. Changes In Short-term Debt

Short-term Debt activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Financing Obligations	\$	\$ 450,000	\$ 450,000	\$
Total Short-term Debt	\$ 0	\$ 450,000	\$ 450,000	\$ 0

Note 6. Long-term Debt

A. First Mortgage Refunding Revenue Bonds Series 2007

In March 2007, Mason County Public Properties Corporation issued \$4,910,000 first mortgage revenue refunding bonds for the purpose of paying the outstanding principal and interest of the Mason County Public Properties Corporation first mortgage revenue bonds, Series 1999. Principal payments are due each year on March 1 and interest is payable each year on September 1 and March 1. The total principal balance was \$3,790,000 as of June 30, 2013. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2014	\$ 230,000	\$ 145,915
2015	235,000	137,060
2016	245,000	128,012
2017	255,000	118,580
2018	265,000	108,763
2019-2023	1,505,000	381,727
2024-2026	1,055,000	82,390
Totals	\$ 3,790,000	\$ 1,102,447

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 6. Long-term Debt (Continued)

B. Financing Obligation – Elderly Housing Phase I (Buffalo Trace Area Development District)

In December 1998, Mason County Public Properties Corporation entered into a note with Buffalo Trace Area Development District, for rehabilitation of housing for the elderly. The note was for \$42,000 with an interest rate of 2.00% per year. The agreement requires annual payments of principal and interest on September 30 of each year. An extra payment was made during the year, therefore a payment is not due for fiscal year ending June 30, 2014. The total principal balance was \$15,236 as of June 30, 2013. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2014	\$ 0	\$ 0
2015	2,281	288
2016	2,327	242
2017	2,373	196
2018	2,420	148
2019-2020	<u>5,835</u>	<u>150</u>
Totals	<u>\$ 15,236</u>	<u>\$ 1,024</u>

C. Financing Obligation – Elderly Housing Phase I (Kentucky Housing Corporation)

In March 1999, Mason County Public Properties Corporation entered into a note with Kentucky Housing Corporation, for rehabilitation of housing for the elderly. The note was for \$135,366 with an interest rate of 2.00% per year. The agreement requires annual payments of principal and interest on July 1 of each year. The total principal balance was \$52,170 as of June 30, 2013. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2014	\$ 7,206	\$ 1,072
2015	7,351	927
2016	7,498	780
2017	7,648	630
2018	7,801	477
2019-2020	<u>14,666</u>	<u>483</u>
Totals	<u>\$ 52,170</u>	<u>\$ 4,369</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 6. Long-term Debt (Continued)

D. Financing Obligation – Landfill Construction Phase III

In September 2004, Mason County Fiscal Court entered into a \$400,000 lease agreement with Fifth Third Bank for Phase III Landfill Construction. The agreement required a semi-annual principal and interest payment due March and September of each year. The lease was paid in full as of June 30, 2013.

E. Financing Obligation – Elderly Housing Phase II (Kentucky Housing Corporation)

On March 1, 2006, Mason County Fiscal Court entered into a lease agreement with Kentucky Housing Corporation for rehabilitation of housing for the elderly. The lease was for \$136,000 with an interest rate of 3.50% per year. The agreement requires annual payments of principal and interest on August 1 of each year. The total principal balance was \$115,302 as of June 30, 2013. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2014	\$ 2,975	\$ 3,995
2015	3,452	3,876
2016	3,575	3,754
2017	3,702	3,627
2018	3,834	3,495
2019-2023	21,313	15,329
2024-2028	25,382	11,259
2029-2033	30,229	6,413
2034-2036	20,840	1,144
Totals	<u>\$ 115,302</u>	<u>\$ 52,892</u>

F. Financing Obligation – Elderly Housing Phase II (Buffalo Trace Area Development District)

On August 15, 2006, Mason County Public Properties Corporation entered into a note with Buffalo Trace Area Development District, for Phase II housing for the elderly. The note was for \$20,000 with an interest rate of 3.00% per year. The agreement requires annual payments of principal and interest on August 15 of each year. The total principal balance was \$16,166 as of June 30, 2013. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2014	\$ 518	\$ 503
2015	533	488
2016	549	472
2017	566	455
2018	583	438
2019 - 2023	3,186	1,919
2024 - 2028	3,694	1,411
2029 - 2033	4,283	822
2034 - 2036	2,254	173
	<u>\$ 16,166</u>	<u>\$ 6,681</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 6. Long-term Debt (Continued)

G. Financing Obligation – Mack Truck

On November 24, 2008, Mason County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust to purchase a Mack roll-off truck for the landfill. The lease was for \$125,500 at an interest rate of 3.841% per year. The lease was paid in full prior to June 30, 2013.

H. Financing Obligation – Landfill Construction Phases IV and V

On August 18, 2009, Mason County Fiscal Court entered into a lease agreement with Fifth Third Bank for Landfill Phase IV and Phase V construction. The lease is for \$1,300,000 and requires a semi-annual payment of \$60,329, which includes 4.5% interest through and including July 15, 2013, and thereafter for each succeeding five-year period at a rate equal to the five-year interest rate for US Treasury Obligations, as published by the lessor's treasury department, plus 227 basis points multiplied by .65, as calculated on July 15, 2013 and July 15, 2018. The principal balance was \$991,665 as of June 30, 2013. Future principal and interest requirements are:

Fiscal Year Ended			
June 30	Principal		Interest
2014	\$ 72,008	\$	44,654
2015	79,511		41,147
2016	83,180		37,478
2017	86,921		33,916
2018	91,029		29,628
2019-2023	522,112		104,204
2024	56,904		7,933
	<u>\$ 991,665</u>	<u>\$</u>	<u>298,960</u>

I. Financing Obligation – International Dump Truck

On November 10, 2011, Mason County Fiscal Court entered into a lease agreement with Peoples Bank of Kentucky to purchase a 2012 International Dump Truck. The lease is for \$96,542 at an interest rate of 3.95% per year. The agreement requires annual payments of principal and interest on November 10 of each year. The total principal balance was \$73,791 as of June 30, 2013. Future principal and interest requirements are:

Fiscal Year Ended			
June 30	Principal		Interest
2014	\$ 23,650	\$	2,915
2015	24,585		1,981
2016	25,556		1,009
	<u>\$ 73,791</u>	<u>\$</u>	<u>5,905</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 6. Long-term Debt (Continued)

J. Financing Obligation – Detention Center Equipment

On February 3, 2013, Mason County Fiscal Court entered into a lease agreement with Security Bank and Trust Company to purchase Detention Center Equipment. The lease is for \$262,750 at an interest rate of 3.0%. The agreement requires annual payments of principal and interest on February 5 of each year. The total principal balance was \$230,724 as of June 30, 2013. Future principal and interest requirements are:

Fiscal Year Ended	Principal	Interest
<u>June 30</u>		
2014	\$ 130,344	\$ 5,553
2015	100,380	1,543
	<u>\$ 230,724</u>	<u>\$ 7,096</u>

K. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2013, was as follows:

	<u>Beginning</u> Balance	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> Balance	<u>Due Within</u> <u>One Year</u>
Revenue Refunding Bonds	\$ 4,010,000	\$	\$ 220,000	\$ 3,790,000	\$ 230,000
Financing Obligations	1,451,964	262,750	219,660	1,495,054	236,701
Total Long-term Debt	<u>\$ 5,461,964</u>	<u>\$ 262,750</u>	<u>\$ 439,660</u>	<u>\$ 5,285,054</u>	<u>\$ 466,701</u>

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 19.55 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 37.60 percent.

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 7. Employee Retirement System (continued)

The county's contribution for FY 2011 was \$648,764, FY 2012 was \$695,154, and FY 2013 was \$731,823.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 8. Deferred Compensation

The Mason County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2013, Mason County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Landfill Closure and Post-Closure Care

KAR 48:310 Sections 2 and 3 require the owner or operator of a landfill to have a detailed written estimate, in current dollars, of the cost of hiring a third party to close the solid waste disposal site and to conduct each phase of closure care monitoring and maintenance in accordance with the closure plan.

Through an inter-local agreement with the City of Maysville, the Mason County Fiscal Court manages the operation and accounts for the Maysville-Mason County Landfill. The landfill consists of the following cells:

- 1) The 21.5-acre residual cell that was capped in fiscal years ending 2001/2002 for \$1,318,003. Post-closure care costs are estimated at \$218,400.
- 2) The 41.0-acre contained cell has been operational since January 30, 1997. As of June 30, 2013, 27% of this cell's capacity had been used.
- 3) The residual/CDD cell is for Dayton Power and Light (DP&L) and has been operational since April 1, 2008. As of June 30, 2013, 54% of this cell's capacity had been used. DP&L is responsible for all closure costs for this cell. DP&L makes regular payments to Mason County to fund the closure costs.

The most recent estimated closure cost for the landfill is \$2,661,724 with estimated post-closure costs of \$1,837,266. Mason County is required to collect and segregate fifteen (15) percent of gross receipts of the landfill and account for it in a restricted Landfill Closure Fund. The balances maintained for the closure of the contained cell and residual/CDD cell as of June 30, 2013 were \$1,613,768 and \$1,200,000, respectively. The City of Maysville and Mason County will jointly fund post-closure costs.

The estimates above are based on information as of the audit date and can be altered based on inflation/deflation, technology, laws, and regulations.

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 11. Related Party Transactions

The Judge/Executive's son-in-law is a licensed veterinarian and owner of Colonial Heights Veterinary Clinic. For fiscal year ended June 30, 2013, fiscal court requested bids for euthanasia services for the animal shelter. Colonial Heights Veterinary Clinic's bid was the only bid submitted and was therefore awarded the bid. Mason County Fiscal Court paid a total of \$5,032 to Colonial Heights Veterinary Clinic during fiscal year ended June 30, 2013. This related party transaction has previously been presented to the Mason County Code of Ethics Committee and they found no breach of the Mason County Code of Ethics.

Note 12. Change in Basis of Accounting

Mason County, Kentucky, has changed its basis of accounting from presenting its financial statements in accordance with the modified cash basis of accounting and relevant Government Accounting Standards Board (GASB) pronouncements to the regulatory basis of accounting as prescribed or permitted by the Department for Local Government and the laws of the Commonwealth of Kentucky. The accounting change had no effect on the beginning cash balances of the various county funds as presented.

Note 13. Prior Period Adjustments

The General Fund beginning balance was increased by \$272 for voided checks.

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2013

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2013

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,805,500	\$ 2,805,500	\$ 3,520,127	\$ 714,627
In Lieu Tax Payments	3,291	3,291	21,395	18,104
Excess Fees	60,203	60,203	191,269	131,066
Licenses and Permits	39,600	39,600	40,398	798
Intergovernmental	387,200	387,200	340,773	(46,427)
Charges for Services	2,000	2,000	16,244	14,244
Miscellaneous	450,500	450,500	446,884	(3,616)
Interest	1,000	1,000	1,468	468
Total Receipts	<u>3,749,294</u>	<u>3,749,294</u>	<u>4,578,558</u>	<u>829,264</u>
DISBURSEMENTS				
General Government	1,247,173	1,409,797	1,279,425	130,372
Protection to Persons and Property	187,200	249,755	204,339	45,416
General Health and Sanitation	172,100	189,771	171,022	18,749
Social Services	8,200	10,700	6,725	3,975
Recreation and Culture	65,000	90,000	40,517	49,483
Bus Services	15,000	15,000		15,000
Debt Service	95,000	95,000	32,135	62,865
Capital Projects	25,000	25,000	8,038	16,962
Administration	2,759,621	3,056,616	1,232,693	1,823,923
Total Disbursements	<u>4,574,294</u>	<u>5,141,639</u>	<u>2,974,894</u>	<u>2,166,745</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(825,000)</u>	<u>(1,392,345)</u>	<u>1,603,664</u>	<u>(2,996,009)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds				
Transfers To Other Funds	<u>(1,175,000)</u>	<u>(1,175,000)</u>	<u>(835,000)</u>	<u>340,000</u>
Total Other Adjustments to Cash (Uses)	<u>(1,175,000)</u>	<u>(1,175,000)</u>	<u>(835,000)</u>	<u>340,000</u>
Net Change in Cash Balances and Cash Equivalents	<u>(2,000,000)</u>	<u>(2,567,345)</u>	<u>768,664</u>	<u>3,336,009</u>
Cash Balances and Cash Equivalents - Beginning (Restated)	<u>2,000,000</u>	<u>2,944,345</u>	<u>2,944,617</u>	<u>272</u>
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 377,000</u>	<u>\$ 3,713,281</u>	<u>\$ 3,336,281</u>

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,016,650	\$ 1,016,650	\$ 1,289,694	\$ 273,044
Charges for Services	10,000	10,000	8,205	(1,795)
Miscellaneous	300,500	300,500	50,904	(249,596)
Interest	150	150	287	137
Total Receipts	<u>1,327,300</u>	<u>1,327,300</u>	<u>1,349,090</u>	<u>21,790</u>
DISBURSEMENTS				
Roads	1,082,600	1,269,821	1,190,924	78,897
Debt Service	20,600	26,900	26,565	335
Administration	574,100	495,137	214,744	280,393
Total Disbursements	<u>1,677,300</u>	<u>1,791,858</u>	<u>1,432,233</u>	<u>359,625</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(350,000)</u>	<u>(464,558)</u>	<u>(83,143)</u>	<u>381,415</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	100,000	100,000		(100,000)
Total Other Adjustments to Cash (Uses)	<u>100,000</u>	<u>100,000</u>		<u>(100,000)</u>
Net Change in Cash Balances and Cash Equivalents	(250,000)	(364,558)	(83,143)	281,415
Cash Balances and Cash Equivalents - Beginning	<u>250,000</u>	<u>364,558</u>	<u>364,558</u>	
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 281,415</u>	<u>\$ 281,415</u>

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,021,050	\$ 1,021,050	\$ 1,240,523	\$ 219,473
Charges for Services	112,000	112,000	105,148	(6,852)
Miscellaneous	85,800	85,800	123,698	37,898
Interest	50	50	62	12
Total Receipts	<u>1,218,900</u>	<u>1,218,900</u>	<u>1,469,431</u>	<u>250,531</u>
DISBURSEMENTS				
Protection to Persons and Property	1,539,831	2,154,764	1,832,569	322,195
Debt Service	10,000	37,005	33,974	3,031
Administration	669,069	609,027	565,665	43,362
Total Disbursements	<u>2,218,900</u>	<u>2,800,796</u>	<u>2,432,208</u>	<u>368,588</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,000,000)</u>	<u>(1,581,896)</u>	<u>(962,777)</u>	<u>619,119</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			262,750	262,750
Transfers From Other Funds	800,000	1,062,750	550,000	(512,750)
Total Other Adjustments to Cash (Uses)	<u>800,000</u>	<u>1,062,750</u>	<u>812,750</u>	<u>(250,000)</u>
Net Change in Cash Balances and Cash Equivalents	(200,000)	(519,146)	(150,027)	369,119
Cash Balances and Cash Equivalents - Beginning	<u>200,000</u>	<u>272,146</u>	<u>272,147</u>	<u>1</u>
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ (247,000)</u>	<u>\$ 122,120</u>	<u>\$ 369,120</u>

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 378,000	\$ 378,000	\$ 307,866	\$ (70,134)
Miscellaneous	32,600	32,600	67,747	35,147
Interest	60	60	47	(13)
Total Receipts	410,660	410,660	375,660	(35,000)
DISBURSEMENTS				
General Government	59,842	49,651	34,693	14,958
Protection to Persons and Property	44,500	78,806	75,664	3,142
General Health and Sanitation	48,000	48,175	37,175	11,000
Social Services	41,200	42,375	31,124	11,251
Recreation and Culture	144,500	419,000	418,448	552
Roads	50,000	50,000	50,000	
Airport	7,500	8,000	8,000	
Debt Service	8,600	33,000	21,765	11,235
Administration	211,518	16,653	10,802	5,851
Total Disbursements	615,660	745,660	687,671	57,989
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(205,000)	(335,000)	(312,011)	22,989
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	50,000	50,000	200,000	150,000
Total Other Adjustments to Cash (Uses)	50,000	50,000	200,000	150,000
Net Change in Cash Balances and Cash Equivalents	(155,000)	(285,000)	(112,011)	172,989
Cash Balances and Cash Equivalents - Beginning	155,000	155,000	148,716	(6,284)
Cash Balances and Cash Equivalents - Ending	\$ 0	\$ (130,000)	\$ 36,705	\$ 166,705

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	STATE GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 25,000	\$ 25,000	\$	\$ (25,000)
Total Receipts	<u>25,000</u>	<u>25,000</u>		<u>(25,000)</u>
DISBURSEMENTS				
Protection to Persons and Property	25,000	25,000		25,000
Administration	2,000	12,794		12,794
Total Disbursements	<u>27,000</u>	<u>37,794</u>		<u>37,794</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,000)</u>	<u>(12,794)</u>		<u>12,794</u>
Net Change in Cash Balances and Cash Equivalents	(2,000)	(12,794)		12,794
Cash Balances and Cash Equivalents - Beginning	2,000	12,794	12,794	
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,794</u>	<u>\$ 12,794</u>

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	FEDERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 11,000	\$ (89,000)
Total Receipts	<u>100,000</u>	<u>100,000</u>	<u>11,000</u>	<u>(89,000)</u>
DISBURSEMENTS				
Protection to Persons and Property	100,000	100,000	5,000	95,000
Administration	900	11,809		11,809
Total Disbursements	<u>100,900</u>	<u>111,809</u>	<u>5,000</u>	<u>106,809</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(900)</u>	<u>(11,809)</u>	<u>6,000</u>	<u>17,809</u>
Net Change in Cash Balances and Cash Equivalents	(900)	(11,809)	6,000	17,809
Cash Balances and Cash Equivalents - Beginning	900	11,809	11,809	
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,809</u>	<u>\$ 17,809</u>

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

SOLID WASTE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 10,000	\$ 10,000	\$ 9,173	\$ (827)
Intergovernmental	100,000	100,000		(100,000)
Miscellaneous	150,500	150,500	128,502	(21,998)
Interest	25	25	45	20
Total Receipts	<u>260,525</u>	<u>260,525</u>	<u>137,720</u>	<u>(122,805)</u>
DISBURSEMENTS				
General Health and Sanitation	241,300	262,466	216,699	45,767
Debt Service	200	200		200
Capital Projects	100,000	130,809	130,808	1
Administration	169,025	206,745	66,314	140,431
Total Disbursements	<u>510,525</u>	<u>600,220</u>	<u>413,821</u>	<u>186,399</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(250,000)</u>	<u>(339,695)</u>	<u>(276,101)</u>	<u>63,594</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>125,000</u>	<u>125,000</u>	<u>85,000</u>	<u>(40,000)</u>
Total Other Adjustments to Cash (Uses)	<u>125,000</u>	<u>125,000</u>	<u>85,000</u>	<u>(40,000)</u>
Net Change in Cash and Cash Equivalents	(125,000)	(214,695)	(191,101)	23,594
Cash Balances and Cash Equivalents - Beginning	<u>125,000</u>	<u>214,695</u>	<u>214,695</u>	
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23,594</u>	<u>\$ 23,594</u>

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	LANDFILL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 8,000	\$ 8,000	\$ 5,669	\$ (2,331)
Intergovernmental	128,000	128,000	113,118	(14,882)
Charges for Services	2,470,000	2,470,000	1,720,438	(749,562)
Miscellaneous	597,300	597,300	571,164	(26,136)
Interest	12,000	12,000	5,933	(6,067)
Total Receipts	<u>3,215,300</u>	<u>3,215,300</u>	<u>2,416,322</u>	<u>(798,978)</u>
DISBURSEMENTS				
General Health and Sanitation	1,835,100	2,839,067	2,239,585	599,482
Debt Service	410,000	860,000	667,995	192,005
Capital Projects	271,000	273,065	19,287	253,778
Administration	2,449,200	4,867,940	353,237	4,514,703
Total Disbursements	<u>4,965,300</u>	<u>8,840,072</u>	<u>3,280,104</u>	<u>5,559,968</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,750,000)</u>	<u>(5,624,772)</u>	<u>(863,782)</u>	<u>4,760,990</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	150,000	600,000	450,000	(150,000)
Transfers From Other Funds	100,000	100,000		(100,000)
Total Other Adjustments to Cash (Uses)	<u>250,000</u>	<u>700,000</u>	<u>450,000</u>	<u>(250,000)</u>
Net Change in Cash Balances and Cash Equivalents	<u>(1,500,000)</u>	<u>(4,924,772)</u>	<u>(413,782)</u>	<u>4,510,990</u>
Cash Balances and Cash Equivalents - Beginning	<u>1,500,000</u>	<u>4,924,772</u>	<u>4,924,772</u>	
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,510,990</u>	<u>\$ 4,510,990</u>

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

GARBAGE COLLECTIONS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 360,000	\$ 360,000	\$ 369,151	\$ 9,151
Interest	50	50	101	51
Total Receipts	<u>360,050</u>	<u>360,050</u>	<u>369,252</u>	<u>9,202</u>
DISBURSEMENTS				
General Health and Sanitation	286,100	317,693	297,183	20,510
Administration	323,950	348,071	80,494	267,577
Total Disbursements	<u>610,050</u>	<u>665,764</u>	<u>377,677</u>	<u>288,087</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(250,000)</u>	<u>(305,714)</u>	<u>(8,425)</u>	<u>297,289</u>
Net Change in Cash Balances and Cash Equivalents	(250,000)	(305,714)	(8,425)	297,289
Cash Balances and Cash Equivalents - Beginning	<u>250,000</u>	<u>305,714</u>	<u>305,714</u>	
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 297,289</u>	<u>\$ 297,289</u>

MASON COUNTY
NOTES TO SUPPLEMENTARY INFORMATION

June 30, 2013

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

Note 2. Reconciliation of the General Fund

The *Statement of Receipts, Disbursements, and Changes in Cash Balance-Regulatory Basis* differs from the *Budgetary Comparison Schedule* for the General Fund for debt service and transfers by \$32,135 due to reclassification.

The *Statement of Receipts, Disbursements, and Changes in Cash Balance-Regulatory Basis* differs from the *Budgetary Comparison Schedule* for the Local Government Economic Assistance Fund for debt service and transfers by \$21,765 due to reclassification.

MASON COUNTY
SUPPLEMENTARY SCHEDULE
Other Information - Regulatory Basis

For The Year Ended June 30, 2013

MASON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2013

The fiscal court reports the following schedule of capital assets:

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 2,512,218	\$	\$	\$ 2,512,218
Buildings and Building Improvements	18,981,259	25,500		19,006,759
Vehicles	1,610,021	220,007	116,012	1,714,016
Equipment	4,828,940	1,477,495	18,000	6,288,435
Furniture and Office Equipment	592,020			592,020
Infrastructure	4,304,266	418,819		4,723,085
 Total Capital Assets	 <u>\$ 32,828,724</u>	 <u>\$ 2,141,821</u>	 <u>\$ 134,012</u>	 <u>\$34,836,533</u>

MASON COUNTY
NOTES TO OTHER INFORMATION

June 30, 2013

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 1	
Depreciable Land Improvements	\$ 2,500	10-60
Buildings	\$ 2,500	10-75
Buildings and Building Improvements	\$ 2,500	5-75
Machinery and Equipment	\$ 2,500	3-25
Furniture and Fixtures	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 2,500	10-50

Note 2. Prior Period Adjustment

Beginning Balance has been decreased by \$83,959 due to misstatements in the prior year.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable James L. Gallenstein, Mason County Judge/Executive
Members of the Mason County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis of the Mason County Fiscal Court for the fiscal year ended June 30, 2013 and the related notes to the financial statement and have issued our report thereon dated March 28, 2014. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Mason County Fiscal Court's internal control over financial reporting to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Mason County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mason County Fiscal Court's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Mason County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

March 28, 2014

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

MASON COUNTY FISCAL COURT

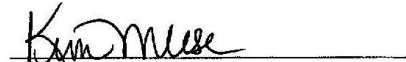
**For The Fiscal Year Ended
June 30, 2013**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
MASON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2013

The Mason County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


County Judge/Executive


County Treasurer

